

FDIC State Profile

Spring 2006

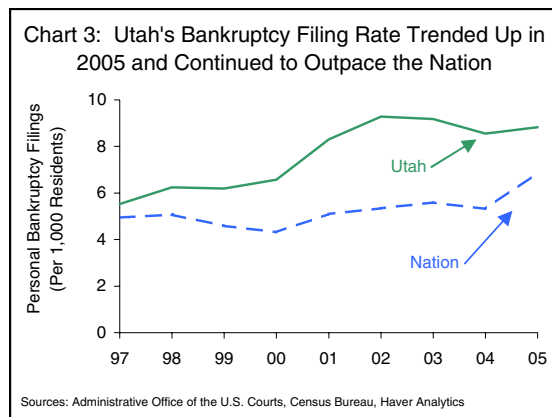
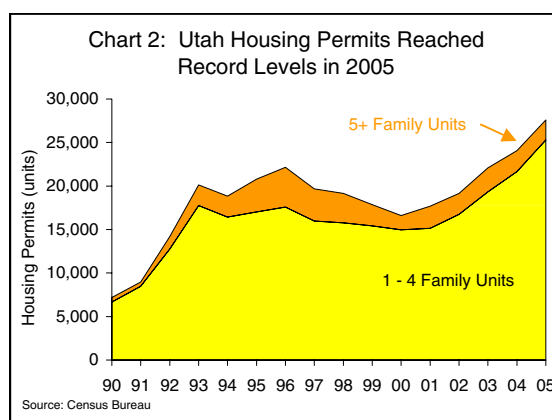
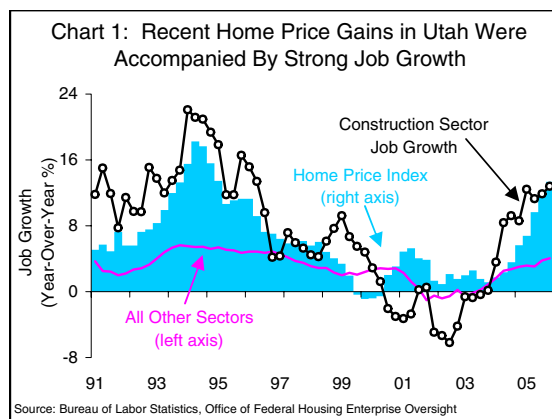
Utah

Utah job growth remained one of the nation's fastest, with gains concentrated in the cyclical construction sector.

- Utah moved up to fourth place in the national ranking as job growth accelerated from year-ago levels to 4.6 percent in fourth quarter 2005.
- Population inflows and rising home prices fueled job gains. The construction sector reported a 12.8 percent growth rate during the year ending fourth quarter 2005 and accounted for nearly one in five new jobs in the state (see Chart 1). Job gains in all other sectors, led by business services, government, and education/health services, also increased during the year but were comparatively flat.
- Hiring was widespread as each metropolitan area reported job gains during the year. Notably, **St. George**, **Provo-Orem**, and **Salt Lake City** each ranked among the nation's 30 fastest growing metropolitan areas.
- Forecasts indicate that job gains will ease somewhat in 2006.¹

Housing market conditions remained solid.

- Utah continued to attract new residents and reported a record level of residential housing permits issued in 2005 (see Chart 2). Year-over-year home price gains in Utah accelerated to 13.4 percent in fourth quarter 2005, the highest growth rate since the mid-1990s. The state will likely continue to report construction job gains in 2006 as a result.
- Nevertheless, deteriorating housing affordability, particularly in **St. George**, and rising interest rates may weigh on the housing market.
- Innovative mortgages and investors may be influencing Utah housing demand. Interest-only and negative amortization loans accounted for 47 percent of non-prime mortgage originations in the state during the first 11 months of 2005. During the same period, investors and



¹Forecast data from Moody's Economy.com.

State Profile

second-home purchasers accounted for 27 percent of Utah Alt-A mortgage originations.²

Utah consumers face increasing pressure.

- Rising energy costs will continue to burden households' pocketbooks as more than 98 percent of homes in the state are heated using natural gas or electricity. Higher prices will likely persist as the price of both natural gas and electricity for residential use is forecast to increase slightly in 2006.³
- Rising interest rates and higher minimum payments on credit card balances also could pressure some consumers.
- Utah's personal bankruptcy filing rate increased to 8.8 filings per thousand residents in 2005 and continued to exceed the national rate (see Chart 3). Filings were higher in the second half of 2005 in anticipation of the bankruptcy legislation that took effect in October 2005.

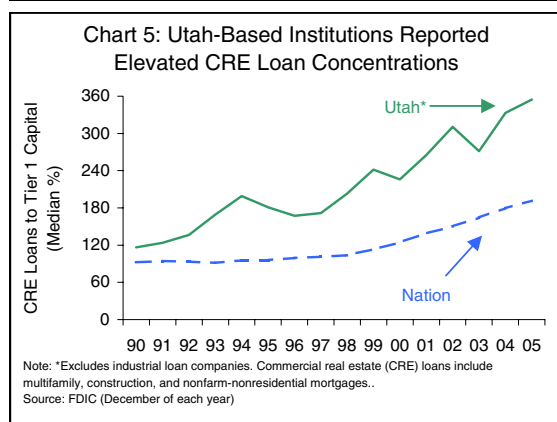
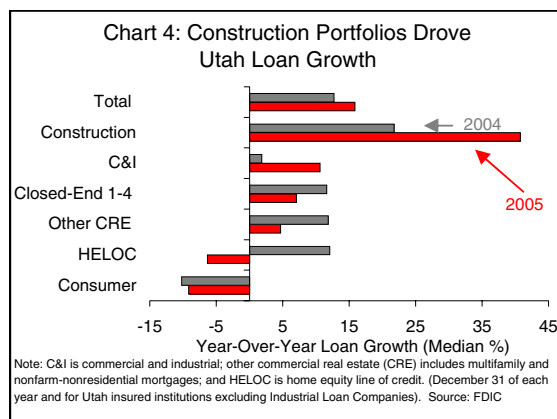
Commercial real estate (CRE) concentrations remained high with robust growth in construction lending.

- Overall loan growth in Utah increased during 2005 to 16.8 percent and ranked sixth nationally. Among non-Industrial Loan Company (ILC) charters, construction and development (C&D) portfolio increases continued to lead other loan categories (see Chart 4).
- As a result, more than 67 percent of Utah-based non-ILC banks and thrifts held C&D loans in excess of Tier 1 capital by the end of 2005, compared to less than 35 percent at year-end 1997.
- Although other CRE loan categories grew at a slower pace during 2005 than the prior year, Utah-based non-ILC banks and thrifts reported total CRE loan-to-Tier 1 capital ratios of 354.4 percent, well in excess of the national median of 191.6 percent (see Chart 5).
- Economic growth in Salt Lake City during 2005 triggered improvements in vacancy rates for the area's office and industrial real estate markets as demand for space increased. Rents, however, remained relatively stable during the year.
- Along with improving market conditions in Salt Lake City, fourth quarter past-due CRE loans among all Utah-based institutions improved with a decline to 0.07 from 0.25 in late 2004. The ratio of delinquent CRE loans among Utah ILC's remained very low for both year-end 2004 and year-end 2005. Non-ILC Utah institutions

reported a median CRE delinquency rate of 0.39 percent at year-end 2005, down from 0.58 percent the prior year and below the nationwide median of 0.46 percent.

Rising interest rates boosted quarterly net interest margins (NIMs) but tempered investment portfolio gains.

- Utah-based insured institutions continued to report excellent quarterly earnings. The median fourth quarter 2005 pretax return on asset (ROA) ratio of 2.94 ranked first nationally.
- NIMs ranked the highest in the nation and more than offset increases in provision expenses (also first in the nation) and declines in noninterest income.
- Rising interest rates reduced the opportunity to take securities gains in 2005, as only 1.6 percent of the state's banks recorded securities gains compared with 8.1 percent the prior year.



²Based on subprime and Alt-A private mortgage securitizations tracked by LoanPerformance. Alt-A loans include mortgages that have near-prime credit quality, lack full loan documentation, or are secured by investor properties.

³Forecast data from the Energy Information Administration's 2006 Annual Energy Outlook.

Utah at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	4.6%	4.4%	3.4%	2.8%	0.1%
Manufacturing (10%)	2.7%	2.4%	2.7%	2.0%	-1.4%
Other (non-manufacturing) Goods-Producing (8%)	13.3%	12.5%	8.9%	7.5%	-0.6%
Private Service-Producing (64%)	4.7%	4.3%	3.3%	2.9%	0.2%
Government (18%)	1.9%	2.1%	1.9%	1.2%	0.8%
Unemployment Rate (% of labor force)	4.1	4.2	4.8	5.1	5.7

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	7.3%	8.4%	6.7%	3.7%
Single-Family Home Permits	17.9%	13.4%	9.0%	11.8%	15.6%
Multifamily Building Permits	0.9%	-21.6%	8.7%	-4.0%	14.2%
Existing Home Sales	18.8%	26.6%	-7.2%	-0.7%	7.3%
Home Price Index	13.4%	11.8%	5.6%	3.3%	1.8%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	9.66	8.77	7.70	8.55	9.17

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	69	69	67	67	64
Total Assets (in millions)	224,535	212,774	193,304	193,304	150,904
New Institutions (# < 3 years)	14	13	12	12	10
Subchapter S Institutions	10	10	10	10	8

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.45	1.32	2.17	2.17	2.82
ALLL/Total Loans (median %)	1.31	1.42	1.53	1.53	1.70
ALLL/Noncurrent Loans (median multiple)	2.34	2.72	2.75	2.75	1.91
Net Loan Losses / Total Loans (median %)	0.09	0.11	0.26	0.27	0.54

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	13.48	13.68	13.49	13.49	13.59
Return on Assets (median %)	2.01	1.94	1.56	1.63	1.55
Pretax Return on Assets (median %)	2.94	2.79	2.08	2.18	2.15
Net Interest Margin (median %)	6.09	5.54	5.53	5.13	5.26
Yield on Earning Assets (median %)	7.92	7.47	6.96	6.72	6.84
Cost of Funding Earning Assets (median %)	2.30	1.87	1.42	1.23	1.32
Provisions to Avg. Assets (median %)	0.36	0.27	0.30	0.26	0.38
Noninterest Income to Avg. Assets (median %)	1.04	1.19	1.10	1.18	1.39
Overhead to Avg. Assets (median %)	4.18	3.92	4.32	3.72	3.88

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	74.8	70.1	71.6	71.6	69.5
Noncore Funding to Assets (median %)	24.3	24.4	23.2	23.2	22.1
Long-term Assets to Assets (median %, call filers)	3.4	3.7	4.5	4.5	4.1
Brokered Deposits (number of institutions)	41	37	38	38	31
Brokered Deposits to Assets (median % for those above)	42.6	40.0	36.6	36.6	31.9

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	72.0	85.4	65.6	65.6	77.4
Commercial Real Estate	40.9	40.5	23.5	23.5	71.0
Construction & Development	4.9	1.4	2.4	2.4	13.1
Multifamily Residential Real Estate	0.0	0.3	0.2	0.2	0.4
Nonresidential Real Estate	14.0	16.2	19.7	19.7	33.6
Residential Real Estate	10.3	16.2	22.8	22.8	27.3
Consumer	15.6	16.1	17.1	17.1	24.6
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Salt Lake City, UT	58	101,616	< \$250 million	37 (53.6%)
Ogden-Clearfield, UT	19	9,296	\$250 million to \$1 billion	17 (24.6%)
Provo-Orem, UT	14	2,727	\$1 billion to \$10 billion	7 (10.1%)
St. George, UT	10	1,345	> \$10 billion	8 (11.6%)
Logan, UT-ID	12	934		